

**DEVELOPMENT AGREEMENT**  
**Between**  
**KITTITAS COUNTY, WASHINGTON**  
**and**  
**SAGEBRUSH POWER PARTNERS, LLC**

## TABLE OF CONTENTS

1. Termination.	5
2. Definitions.	5
3. Project Description	8
4. Vesting.	8
5. Development Standards.	8
6. Decommissioning	12
7. Consistency with Local Regulations.	15
8. Amendments and Revisions.	15
9. Termination.	16
10. General Provisions.	16
11. Notices.	20
12. Default and Remedies.	21
13. Indemnity.	22
14. Entire Agreement.	23

### List of Exhibits

Exhibit A:	Project Description
Exhibit B:	Project Site Layout
Exhibit C:	Project Land Legal Description and Landownership Interests
Exhibit D:	Proposed SEPA Mitigation Measures
Exhibit E:	Project Vicinity Map with Residence Locations
Exhibit F:	Decommissioning Cost Estimate
Exhibit G:	Fire Protection Services Agreement
Exhibit H:	FAA Letters & Determination of Non Hazard Certificate

## DEVELOPMENT AGREEMENT KITTTITAS VALLEY WIND POWER PROJECT

THIS DEVELOPMENT AGREEMENT ("Agreement") is entered into and effective this \_\_\_\_ day of \_\_\_\_\_, 2006, ("Effective Date") by and between Kittitas County, a Washington municipal corporation ("County") and Sagebrush Power Partners, LLC, a Delaware limited liability company authorized to do business in the state of Washington ("Applicant"). This Agreement is made pursuant to Revised Code of Washington ("RCW") 36.70B.170, Kittitas County Code ("KCC") Chapter 15A.11, and KCC Chapter 17.61A, and relates to the Kittitas Valley Wind Power Project.

### RECITALS

A. RCW Chapter 36.70B (the "Development Agreement Statute"), and Chapter 15A.11 Kittitas County Code ("Code") authorize the County to enter into an agreement regarding development of real property located within the County's jurisdiction with any person having an ownership interest in or control of such real property. Chapter 17.16A requires execution of a development agreement as part of the approval process for wind farm projects.

B. The Applicant desires and intends to develop a wind farm in central Kittitas County known as the Kittitas Valley Wind Power Project (the "Project") located on open ridge tops between Ellensburg and Cle Elum, approximately 12 miles northwest of the city of Ellensburg. A full Project description is contained in Exhibit A.

C. The Project objective is to develop a commercially viable wind energy facility with a nameplate capacity of up to 195 Megawatts ("MW"), a maximum of up to 65 wind turbines, and necessary Project support facilities, all to deliver renewable energy to an interconnection point on the Pacific Northwest power grid.

D. The Applicant entered into agreements with the owners of the real property comprising the Project Area, giving it control of this land for the purpose of, and authority to, develop

the Project as described in the Applicant's Development Activities Application (the "Development Activities Application").

E. The Project will be located on land referred to herein as the "Project Area". A map showing the location of the Project Area is contained in Exhibit B, 'Project Site Layout'. The Project Area covers approximately 6,000 acres. The land within the Project Area consists of privately-owned open space and publicly-owned land (WDNR) as more specifically described in Exhibit C, 'Project Land Legal Descriptions and Landownership Interests'.

F. A number of utilities in the region, including Puget Sound Energy, Inc. ("PSE"), Avista, and PacifiCorp, have issued requests for proposals ("RFPs") to which the Applicant has responded or intends to respond with proposals for the Project. On October 14, 2005 the Applicant submitted a consolidated Development Activities Application to the County to undergo the County process of amending the Kittitas County Comprehensive Plan for a wind farm resource land use designation area and for Wind Farm Resource Overlay rezoning, and permits related to various subparts of the Project. The Applicant's submissions for action through these County processes were deemed complete by the County on October 17, 2005. On January 13, 2003, the Applicant filed an application for site certification with Washington State Energy Facility Site Evaluation Council ("EFSEC"). As the State Environmental Policy Act ("SEPA") Lead Agency, EFSEC issued a Draft Environmental Impact Statement ("DEIS") for the Project in December 2003. Applicant agrees to abide by the Proposed SEPA Mitigation Measures contained in Exhibit D as well as the Development Standards set forth in this Agreement to mitigate impacts to the environment including but not limited to: Earth Resources, Air Quality, Water Resources, Vegetation, Wildlife, Fisheries, Energy and Natural Resources, Noise, Land Use, Visual Resources, Population, Housing, Economics, Public Services, Utilities, Recreation, Cultural Resources, Traffic and Transportation, and Health and Safety.

G. This Agreement specifies the commitments made by the County and the Applicant for the purpose of ensuring that the Project is consistent with the Kittitas County Comprehensive Plan and Zoning Code, and to ensure that all final permit approvals will be in the best interests of the citizens of Kittitas County, and will reflect the land use planning considerations of Kittitas County.

H. This Agreement establishes that the proposed Project with the Development Standards and proposed SEPA mitigation measures contained herein is consistent with the County's Comprehensive Plan, zoning and development regulations, and is compatible with surrounding land uses.

I. This Agreement was the subject of a 30-day comment period and a hearing before the Kittitas County Planning Commission as required by KCC Title 15A.

J. This Agreement does not represent a final action on the proposal. Construction and operation will be authorized only upon approval of an EFSEC site certificate for the Project signed by the Governor of Washington.

NOW, THEREFORE, in consideration of the undertakings contained in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the County and the Applicant agree as follows:

## **AGREEMENT**

### **1. Termination.**

This Agreement may be terminated by mutual agreement of the Parties to this Agreement, or terminated by Applicant pursuant to Section 9, below.

### **2 Definitions.**

For purposes of this Agreement, the following terms, phrases, words, and their derivations shall have the meaning given herein where capitalized; words not defined herein shall have their ordinary and common meaning. When not inconsistent with the context, words used in the present tense include the future, words in the plural number include the singular number, words in the singular number include the plural number, and the use of any gender shall be applicable to all genders whenever the sense requires. The words "shall" and "will" are mandatory and the word "may" is permissive. References to governmental entities (whether persons or entities) refer to those entities or their successors in authority. If specific provisions of law referred to herein are

renumbered, then the reference shall be read to refer to the renumbered provision. References to laws, ordinances or regulations shall be interpreted broadly to cover government actions, however nominated, and include laws, ordinances and regulations now in force.

2.1. Agreement. "Agreement" means this *Development Agreement between Kittitas County, Washington and Sagebrush Power Partners, LLC*, approved by the Board of County Commissioners.

2.2. Applicant. "Applicant" means Sagebrush Power Partners, LLC or any of its Transferee(s) as provided in Section 10.1 below.

2.3. BOCC. "BOCC" means the Board of County Commissioners of Kittitas County, Washington.

2.4. County. "County" means Kittitas County, Washington.

2.5. Construction Buildout Period. "Construction Buildout Period" has the meaning set forth in Section 5.16 of this Agreement.

2.6. Development Standards. "Development Standards" means the requirements stated in Section 5.

2.7. Director. "Director" means the Director of the County Department of Community Development Services.

2.8. Draft EIS. "Draft EIS" means the Draft Environmental Impact Statement issued by EFSEC in December 2003 for the Project.

2.9. Effective Date. "Effective Date" has the meaning set forth in of the Preamble to this Agreement.

2.10. EFSEC. "EFSEC" means Washington Energy Facility Site Evaluation Council.

2.11. FAA. "FAA" means Federal Aviation Administration.

2.12. Final EIS. "Final EIS" means the Final Environmental Impact Statement issued by EFSEC for the Project.

2.13. Force Majeure Event. "Force Majeure Event" means any event that directly prevents or delays the performance by the Party affected of any obligation arising under this Agreement, including an event that is within one or more of the following categories: condemnation; expropriation; invasion; plague; natural disasters; ice; ice storms; strikes, lockouts or labor disputes; failure of equipment not caused by the fault or negligence of the Applicant; drought; landslide; tornado; hurricane; tsunami; flood; lightning; earthquake; fire; explosion; epidemic; quarantine; war (declared or undeclared), terrorism or other armed conflict; material physical damage to the Project caused by third parties; riot or similar civil disturbance or commotion; other acts of God; acts of the public enemy; blockade; insurrection, riot or revolution; sabotage or vandalism; embargoes; and, action, inaction, ruling, decree or injunction of a governmental authority.

2.14. Loss. "Loss" means all loss, damage, cost, expense (including costs of investigation and reasonable attorneys' fees and expenses at arbitration, trial or appeal and without institution of arbitration or suit), liability, claims and demands of whatever kind or nature (including those arising under the Federal Employers Liability Act).

2.15. Parties. "Parties" means Kittitas County, Washington and Applicant.

2.16. Project. "Project" means the Kittitas Valley Wind Power Project generally consisting of up to 65 Turbines, each with a nameplate capacity up to 3 Megawatts (MW), for a total project nameplate capacity of up to 195 MW, and other associated and necessary Project Facilities as described in Exhibit A, modified as necessary to be consistent with the Development Standards contained herein and the proposed SEPA mitigation measures contained in Exhibit D.

2.17. SEPA. "SEPA" means the State Environmental Policy Act of Washington.

2.18. Substantial Completion. "Substantial Completion" means the Project is generating and delivering energy to the electric power grid for sale in commercial quantities.

2.19. Technical Advisory Committee ("TAC"). "TAC" means a committee composed of representatives from Washington Department of Fish and Wildlife, EFSEC, Kittitas County, local interest groups, project landowners and Applicant, which Applicant shall convene to evaluate the

mitigation and monitoring program and determine the need for further studies or mitigation measures for the Project.

2.20. Transferee. A party to which the Project is transferred or assigned in part or in whole under the provisions contained in Section 10.1 of this Agreement.

2.21. Turbine. "Turbine" means a structure that produces electricity and consists of a tower anchored to a foundation, a three bladed rotor, and a nacelle (the housing for the generator and other machinery), all of which are described in further detail in Exhibit A.

### 3. Project Description

The Project generally consists of up to a maximum of 65 Turbines, each with a nameplate capacity up to 3 MW, for a total project nameplate capacity of up to 195 MW, and other associated and necessary Project Facilities as described in Exhibit A, modified as necessary to comply with and to be consistent with the Development Standards contained herein and the proposed SEPA DEIS mitigation measures in Exhibit D.

### 4. Vesting.

This Agreement regarding land use consistency vests the Project to the existing County land use plans and regulations effective as of the Effective Date of this Agreement.

### 5. Development Standards.

5.1. Number of Turbines. Under this Agreement, Applicant shall construct no more than sixty-five (65) Turbines within the corridors as described in the Project Description contained in Exhibit A.

5.2. Maximum Turbine Height. The maximum height (measured to the tip of the blade pointing straight up) of any Turbine that may be constructed as part of the Project is 410 feet, illustrated in Figure 1 in Exhibit A.

5.3. Location and Description of Project. The general location of components of the Project including, but not limited to: the turbine corridors, roadways, electrical collection and distribution system, operations and maintenance facility, electrical substations, transmission lines and



other related Project Facilities is described in Exhibit A, 'Project Description' and illustrated In Exhibit B, 'Project Site Layout', modified as necessary to be consistent with the following Development Standards and SEPA mitigation measures. Exhibit E illustrates the location of the Project Facilities and the Turbines in relation to existing structures in the vicinity of the Project.

5.4. Fire Protection Services. Applicant has executed a fire protection services agreement with Kittitas County Fire District No. 1 for the Project to ensure that suitable fire protection services are in place during the construction and on-going operations of the Project. A copy of this fire protection services agreement is contained in Exhibit G attached hereto. A fire protection services agreement shall be maintained for the life of the Project, or until the Project site is annexed into a Fire District or other municipal entity which provides fire protection services.

5.5. FAA Review. Exhibit H contains letters confirming that the FAA Determination of Non Hazard certificates released for the Project in August, 2004 confirm that the Project does not interfere with any of the current IFR flight approaches for the Bowers Field Airport which were approved on June 10, 2004. Exhibit H also contains a sample determination of non hazard certificate for one of the proposed Project turbine locations. Due to the bulk of the additional certificates, Applicant shall provide Determination of Non Hazard certificates issued by the Federal Aviation Administration (FAA) and related information to the Director, which demonstrates that the Project will not impact approved flight approaches, flight communications, or operations at the Bowers Field Airport in Ellensburg prior to construction.

5.6. Emergency Plans. Emergency plans shall be prepared and submitted to the County prior to construction as set forth in Exhibit D under "Health and Safety" in Section 3.15.4.

5.7. Project Access Roads. Access to the various rows of turbines will be achieved via graveled access roads branching from state highways 10 and 97 and County roads Bettas and Hayward Roads. Access roads from state highways 10 and 97 shall be constructed with slope and culverts designed according to WSDOT and Washington state access management standards under Title 468 WAC and Chapter 47.50 RCW. Access from County roads shall be constructed with the appropriate slopes and culverts in accordance with Kittitas County standards. Project site roads shall be designed in accordance with Table 12-1 of the Kittitas County Road Standards for Private Roads with Low Density Traffic. In areas where Project roads exceed a 12% grade, the roads shall be designed to

ensure that fire vehicles can gain access to the site as necessary to provide emergency services. If variances from the above referenced standards are required, they shall be reviewed for approval by the Public Works Director and the Fire Marshall prior to construction, which approval shall not be unreasonably withheld. In the event of denial of a variance request, Applicant may seek review and approval by the Road Variance Committee pursuant to Chapter 12.01.130 of the County Road Standards.

5.8. Road Degradation Monitoring, Improvements and Mitigation. County roads, including shoulder pavement, shall be video monitored before and after construction of the Project to identify road degradation. That portion of Bettas Road that will be used for Project construction and operations (approximately 1.4 miles from state highway 97 to Hayward Hill Road) will be improved, following construction, to the current Kittitas County road standards applicable to this section of road. That portion of Hayward Hill Road that will be used for Project construction and operations (approximately 2.0 miles) will be improved, to a 22-foot gravel road, from Bettas Road to the Kittitas Reclamation District canal. If construction of the Project results in the degradation of the existing pavement and/or shoulders on the County roads other than Bettas and Hayward Hill Roads,, Applicant shall reinstate these roads to as near the condition they were in prior to construction.

5.9. Visitor's Kiosk. Applicant will construct a visitor's kiosk and public viewing area near the proposed O&M facility off Bettas road with adequate signage directing the public to a safe parking lot to view and learn about the Project. The visitor's kiosk will be approximately 10 to 15 feet wide by 15 to 25 feet long by 10 to 15 feet tall.

5.10. Traffic Monitoring. Applicant shall monitor traffic levels following completion of construction of the Project for a period of three years. After that time, Applicant shall continue monitoring of tourist and operations traffic to the Project upon written request from the County. Should tourist and operations related traffic to and from the Project site exceed WSDOT warrants, as contained in Chapter 910 of the WSDOT Design Manual, the Applicant shall construct right and/or left turn lanes on SR 97. Said improvements shall be designed and constructed in accordance with WSDOT guidelines.

5.11. County Right of Way. Approval of a franchise for location of facilities within County owned right-of-way (including overhead electric power lines) shall be required.

5.12. Project Site Access. Project access roads run across both private and public (WDNR) lands. In order to avoid and minimize potential impacts to recreation on public lands the Applicant will implement an adaptive management approach to allow access to and through the Project Area to access public lands for recreational purposes. Adaptive management allows for changes over time to the level of control and types of activities on the Project site, as needed. In general, the Applicant will permit controlled access to and through the site to public lands, as long it does not interfere with or introduce adverse impacts on Project operations or personnel. At a minimum, Project site access during operation shall be allowed as follows:

- Private property owners who wish to access their property from Project Access Roads will be allowed to do so as necessary under a formal access license and a key to a gated entrance
- Officials of the Washington State Departments of Natural Resources are currently allowed to access the Project site and will continue to be allowed access by key.
- The Applicant will allow others to access the Project site on a case-by-case basis.

Active recreation activities such as camping and off-road vehicle usage will not be allowed on the Project site in order to avoid and minimize potential impacts to habitat and wildlife from such activities. Access on the Project site for hunting activities will be determined by WDNR and individual private landowners. In order to minimize potential conflicts and risks to both workers and hunters, no hunting will be allowed on the property during construction.

5.13 Construction Buildout Period. Applicant shall be allowed to construct the Project such that Substantial Completion is achieved no later than 5 years from the date that all permits necessary to construct the Project are obtained, but in no event later than 6 years from the Effective Date of this Agreement (the "Construction Buildout Period"). Notwithstanding the foregoing, Applicant shall be entitled to an extension of the Construction Buildout Period for Force Majeure Events on a day for day basis.

5.14 Turbine Setbacks from Residences. To further minimize potential impacts from shadow flicker and visual effects, a set back of a quarter mile (1,320 feet) shall be maintained between Project Turbines and existing residences of neighboring landowners (who have not signed agreements with the Applicant) located outside the Project boundaries illustrated in Exhibit B. To meet the desires of project landowners to maximize their property rights for natural resource development, setbacks from residences of landowners with signed agreements with the Applicant will be at least

blade tip height from any proposed Turbine. In the event that Applicant wishes to install Turbines closer than 541 feet to the Project boundary, Applicant shall obtain an easement or covenant that restricts the construction of any new residences within 541 feet of any Turbine as measured from the nearest Turbine tower center point to any such new residence.

## **6. Decommissioning**

6.1. Decommissioning Plan. Prior to construction of the Project, Applicant shall provide to the County and to EFSEC, a Project decommissioning and site restoration plan (the "Plan") as required under WAC 463-42-655, prepared in sufficient detail to identify, evaluate, and resolve all major environmental, and public health and safety issues reasonably anticipated by the Applicant on the date hereof. The Plan shall describe the process used to evaluate the options and select the measures that will be taken to restore or preserve the Project site or otherwise protect the public against risks or danger resulting from the Project. The Plan shall include a discussion of economic factors regarding the costs and benefits of various restoration options versus the relative public risk and shall address provisions for funding or bonding arrangements to meet the Project site restoration or management costs. The Plan shall be prepared in detail commensurate with the time until site restoration is to begin. The scope of proposed monitoring shall be addressed in the Plan. Details of the proposed decommissioning mitigation measures for the Project are contained in Exhibit D, under the heading *Proposed SEPA Mitigation Measures*. The Plan shall contain provisions as least as stringent as those described in this Article 5.

6.2. Decommissioning Scope and Timing. Applicant or any Transferee, as the case may be, shall decommission the Project within twelve (12) months following the earlier of either: (a) the date of termination of this Agreement, in accordance with Section 1.1 above; or (b) at the written request of the County, the Applicant demonstrates that the energy generated by the Project for the past 12 month period is less than 10% of the Historical Energy Production (defined below) and no exemptions apply. The Applicant will be exempted from the decommissioning requirement if the twelve (12) month reduced energy output period described above is the result of (i) a repair, restoration or improvement to an integral part of the Project that affects the generation of electricity that is being diligently pursued by the Applicant, or (ii) a Force Majeure Event, including, but not limited to, an extended low wind period. For these purposes, the Historical Energy Production shall be the sum of all energy generated by the Project divided by the number of months since the

beginning of commercial operation multiplied by twelve, starting twelve months after commercial operation commences.

The twelve (12) month period to perform the decommissioning may be extended if there is a delay caused by sources beyond the control of the Applicant including, but not limited to, a Force Majeure Event, inclement weather conditions, equipment failure, wildlife considerations or the availability of cranes or equipment to support decommissioning. The County shall be granted reasonable access to the Project site during decommissioning of the Project for purposes of inspecting any decommissioning work or to perform decommissioning evaluations. County personnel on the Project site shall observe all worker safety requirements enforced and observed by the Applicant and its contractors. If requested by the County, Applicant will provide monthly status reports until this decommissioning work is completed. Decommissioning the Project shall involve removal of the Turbines; removal of foundations to a depth of 3 feet below grade; re-grading the areas around the Project Facilities; removal of Project access roads and overhead cables (except for any roads and/or power cables that Project Area landowners wish to retain); and final reseedling of disturbed lands (all of which shall comprise "Decommissioning"). Decommissioning shall occur in the order of removing the Turbines as the first priority and performing the remaining elements immediately thereafter.

6.3 Decommissioning Funding and Surety. Except as provided in Section 6.4 below, Applicant or any Transferee, as the case may be, shall provide security sufficient for Decommissioning costs in the form of a performance bond, guaranty or a letter of credit to ensure the availability of funds for such costs (the "Decommissioning Security") to EFSEC. Applicant shall request that the County be listed as an additional insured on Applicant's commercial general liability insurance policies, prior to the end of the first year after commencement of construction. A detailed engineering estimate of the amount of the Decommissioning costs is included in Exhibit F. The Decommissioning Plan shall provide that the Decommissioning costs shall be reevaluated annually during construction of the Project and once every five (5) years thereafter from the date of Substantial Completion to ensure sufficient funds for Decommissioning and, if the parties agree at that time that the Decommissioning costs need to be modified, the amount of the Decommissioning Security shall be adjusted accordingly. The Applicant shall be required to provide such security within 30 business days of Substantial. On or before the date on which the Decommissioning Security must be established, the Applicant or any Transferee, as the case may be, shall provide the County with, at its election, one of the following:

(a) **Performance Bond.** Applicant or any Transferee, as the case may be, shall provide financial security for the performance of its decommissioning obligations through a Performance Bond issued by a surety registered with the Washington State Insurance Commissioner and which is, at the time of delivery of the bond, on the authorized insurance provider list published by the Insurance Commissioner. The Performance Bond shall be in an amount equal to the Decommissioning costs. The Performance Bond shall be for a term of 1 year, shall be continuously renewed, extended, or replaced so that it remains in effect for the remaining term of this Agreement or until the secured decommissioning obligations are satisfied, whichever occurs sooner. In order to ensure continuous renewal of the Performance Bond with no lapse, each Performance Bond shall be required to be extended or replaced at least one month in advance of its expiration date. Failure to secure such renewal or extension shall constitute a default of the Applicant under this Agreement and under the Bond provisions.; or

(b) **Letter of Credit.** Applicant or any Transferee, as the case may be, shall provide financial security for the performance of its decommissioning obligations through a letter of credit issued by a bank whose long-term debt is rated "A" or better by a Rating Service. The letter of credit shall be in an amount equal to the Decommissioning costs. The letter of credit shall be for a term of 1 year, shall be continuously renewed, extended, or replaced so that it remains in effect for the remaining term of this Development Agreement or until the secured decommissioning obligations are satisfied, whichever occurs sooner. The State of Washington, by and through EFSEC or its successor or designees shall be authorized under the letter of credit to make one or more sight drawings thereon upon certification to the issuing bank of the Applicant's or Transferee's (as the case may be) failure to perform its decommissioning obligations when due; or

(c) **Guaranty.** Applicant or any Transferee, as the case may be, shall provide financial security for the performance of its decommissioning obligations by delivering a payment guaranty guaranteeing its Decommissioning obligations hereunder from an entity (i) having, at the time of delivery of such guaranty, a senior unsecured long term debt rating ("Credit Rating") of (1) if such entity has a Credit Rating from Standard and Poor's but not from Moody's, BBB- or better from Standard and Poor's or (2) if such entity has a Credit Rating from Moody's but not from Standard and Poor's, Baa3 or better from Moody's or (3) if such entity has a Credit Rating from both Standard and Poor's and Moody's, BBB- or better from Standard and Poor's and Baa3 or better from

Moody's; or (ii) having audited financial statements, prepared by a nationally-recognized firm of independent auditors and indicating a financial net worth of at least \$75,000,000.

6.4. Financial Security and Utility Project Ownership. Applicant or any Transferee, as the case may be, shall provide the Decommissioning Security for the performance of its Decommissioning obligations arising hereunder unless if, at the time the duty to provide Decommissioning security arises under Section 6.3 above, the owner of the Project is an investor-owned electric utility regulated by the FERC and the Washington Utilities and Transportation Commission (WUTC), in which case the obligation to fully decommission the Project when due shall be a general obligation of the investor-owned electric utility owner.

## **7. Consistency with Local Regulations.**

The County hereby acknowledges that if the Project is developed consistent with this Agreement and any Amendments thereto, the public health, safety, and welfare will be adequately protected within the bounds of the law; the Project will be considered essential and desirable to the public convenience; the Project will not be detrimental or injurious to the public health, peace, or safety, or to the character of the surrounding neighborhood; the Project will not be unreasonably detrimental to the economic welfare of the County; and the Project will not create excessive public cost for public facilities and services.

The Turbines are located on adjacent and contiguous tax parcels which are zoned as Forest and Range, and Ag-20. Due to Project and equipment design, and the safety zone setback described in Section 5.17 above, the Project poses no potential risks to residents from ice throw, blade throw or tower collapse. Other potential impacts such as shadow flicker and noise impacts are not significant adverse impacts due to the distance of the Turbines from potential receptors. The Project will deliver cost effective renewable energy to the electric grid and, as such, is essential and desirable to the public convenience. The Project will contribute significant tax revenues to the County which will far exceed the limited public service costs the Project will introduce.

## **8. Amendments and Revisions.**

This Development Agreement may be amended by mutual agreement of the Parties only if the amendment is in writing and signed by Applicant and the County and is approved by the BOCC (an

“Amendment”). The following sections specify what Project actions and revisions can be undertaken without the need for amendment of the Development Agreement and what revisions require Amendment to the Agreement.

8.1 Project Facility Repair, Maintenance and Replacement. Applicant shall be permitted, without any further approval from the County or amendment to this Agreement, to repair, maintain and replace Project Facilities consistent with the terms of this Agreement.

8.2 Turbine Repair, Maintenance and Replacement. Applicant shall be permitted to repair and maintain the Turbines without any further approval from the County or amendment to this Agreement and to: (i) replace any Turbine with the same make and model Turbine originally used in the Project (“Replacement Turbine”) so long as the Replacement Turbine meets the Development Standards contained in this Agreement, (ii) replace any Turbine with a Comparable Turbine in the event Applicant cannot or it is impracticable for it to obtain a Replacement Turbine. “Comparable Turbine” means any wind turbine that is within the size limits and general configuration defined in the Project Description in Exhibit A and located in the same location as the Turbine being replaced and meets the Development Standards contained in this Agreement.

## 9. Termination.

Applicant shall have the option, in its sole discretion, to terminate this Agreement prior to commencing any construction including any site grading and excavation work for installation of the Project or its support facilities. If Applicant elects to terminate this Agreement, Applicant shall submit a Notice to this effect to the County.

## 10. General Provisions.

10.1 Assignment. The County and Applicant acknowledge that development of the Project may involve the sale and/or assignment of all or substantially all of the assets of the Project or all or substantially all of the membership interests in the Applicant to third parties. In addition the County and Applicant acknowledge that Applicant and its permitted Transferees may obtain financing for all or a portion of the costs of the Project. Applicant shall have the right to assign or transfer all or any portion of its interest in the Project at any time, including rights, obligations and responsibilities arising



hereunder, including financial assurance for decommissioning as set forth in Section 6 above, to third parties acquiring all or substantially all the assets of the Project or all or substantially all of the membership interests in Applicant (each such third party, a "Transferee"), provided such assignments or transfers are made in accordance with the following:

**10.1.1 Assignments or Transfers Requiring the Consent of the County.**

Applicant may at any time enter into a written agreement with a Transferee other than those described in Sections 10.1.2 and 10.1.3 to transfer all or substantially all the assets of the Project or all or substantially all the membership interests in Applicant, including rights, obligations and responsibilities arising hereunder (such agreement, a Transfer Agreement"); provided that Applicant obtains the prior written consent of the County as described in this section:

(a) Such Transfer Agreement shall not take effect unless and until the County has consented in writing to such transfer or assignment, which consent shall not be unreasonably withheld, conditioned, or delayed. Written notice of the proposed Transfer Agreement shall be mailed, first-class, to the County at least thirty (30) days in advance of the proposed date of transfer or assignment. Failure by the County to respond within thirty (30) days after receipt of a request made by Applicant for such consent shall be deemed to be the County's approval of the Transfer Agreement. The County may refuse to give its consent to a Transfer Agreement only if there is a material reason for such refusal, including without limitation, (i) the Transferee's failure to perform material obligations under a similar Development Agreement, or (ii) a failure to demonstrate adequate financial capability, including financial assurance for decommissioning as set forth in Section 6 above, to perform the obligations proposed to be assumed by such Transferee.

(b) Any Transfer Agreement shall be binding on the Applicant, the County and the Transferee. Upon approval of a Transfer Agreement by the County, the Applicant shall be released from those obligations and responsibilities assumed by the Transferee therein.

(c) Applicant shall be free from any and all liabilities accruing on or after the date of any assignment or transfer with respect to those obligations assumed by a Transferee pursuant to an approved Transfer Agreement. No breach or default hereunder by any person that assumes any portion of Applicant's obligations under this Agreement pursuant to an approved transfer shall be attributed to Applicant, nor shall any of Applicant's remaining rights hereunder be cancelled or diminished in any way by any such breach or default.

(d) No breach or default hereunder by Applicant shall be attributed to any person succeeding to any portion of Applicant's rights or obligations under this Agreement, nor shall such Transferee's rights be cancelled or diminished in any way by any such breach or default.

(e) Upon any transfer made in accordance with this Section 10.1.1 for which the County has consented, the Transferee shall be entitled to all interests and rights and be subject to all obligations under this Agreement, and Applicant shall be automatically released of all liabilities and obligations under this Agreement as to that portion of its interest so transferred or assigned.

#### 10.1.2 Collateral Assignments Without the Consent of the County.

Notwithstanding anything herein to the contrary, Applicant or any Transferee shall be permitted to collaterally assign its interest in the Project to a lender or lenders providing financing for the Project without the consent of the County, provided that Applicant or any Transferee delivers written notice to the County at least thirty (30) days prior to the date of such collateral assignment and identifies such lender or lenders.

#### 10.1.3 Assignments or Transfers without the Consent of the County.

Applicant may transfer or assign all or any portion of its interest in the Project at any time, including rights, obligations and responsibilities arising hereunder, to third parties acquiring all or substantially all the assets of the Project or all or substantially all the membership interests in Applicant without the consent of the County provided that:

(i) Transferee is (a) an investor-owned electric utility regulated by the Federal Regulatory Energy Commission ("FERC") and the Washington Utilities and Transportation Commission ("WUTC") or a wholly owned subsidiary of such an investor-owned electric utility, or; (b) an entity having, at the time of transfer or assignment, a senior unsecured long term debt rating ("Credit Rating") of (1) if such entity has a Credit Rating from Standard and Poor's but not from Moody's, BBB- or better from Standard and Poor's or (2) if such entity has a Credit Rating from

Moody's but not from Standard and Poor's, Baa3 or better from Moody's or (3) if such entity has a Credit Rating from both Standard and Poor's and Moody's, BBB- or better from Standard and Poor's and Baa3 or better from Moody's; and

(ii) Transferee agrees to be bound by the rights, obligations and responsibilities of Applicant hereunder, including financial assurance for decommissioning as set forth in Section 6 above, on and after the date of such transfer or assignment. In the event that Applicant transfers or assigns all or any portion of its interest in and to the Project in accordance with this provision, Applicant shall be released from all obligations or liabilities under this Agreement on and after the date of such transfer or assignment as to that portion of Applicant's interest so transferred or assigned.

10.2 Binding Effect. This Agreement shall be binding upon, and inure to the benefit of, the Parties and their respective heirs, successors (by merger, consolidation or otherwise) and assigns.

10.3 Washington Law. This Agreement is entered into under the laws of the State of Washington, and the parties hereto intend that Washington law shall apply to the interpretation hereof.

10.4 Severability. If any provisions of this Agreement are determined to be unenforceable or invalid, this Agreement shall thereafter be modified, to implement the intent of the Parties to the maximum extent allowable under law and the remainder of this Agreement shall remain unaffected and in full force and effect.

10.5 Authority. Each Party represents and warrants that it has the respective power and authority, and is duly authorized, to enter into this Agreement on the terms and conditions herein stated, and to execute, deliver and perform its obligations under this Agreement.

10.6 No Third-Party Beneficiary. This Agreement is made and entered into for the sole protection and benefit of the Parties hereto and their successors and assigns. No other person shall have any right of action based upon any provision of this Agreement.

10.7 Duty to Act Reasonably and in Good Faith. Unless otherwise expressly provided, each party shall act reasonably in giving consent, approval, or taking any other action under this Agreement. The Parties agree that each of them shall at all times act in good faith in order to carry out the terms

of this Agreement and each of them covenants that it will not at any time voluntarily engage in any actions which frustrate the purpose and intent of the Parties to develop the Project in conformity with the terms and conditions specified in this Agreement. The Parties understand and agree that the process described in this Agreement depends upon timely and open communication and cooperation between the Parties. The Parties agree to use best efforts to communicate regarding issues, changes, or problems that arise in the performance of the rights, duties and obligations hereunder as early as possible in the process, and not wait for explicit due dates or deadlines. Each party agrees to work cooperatively and in good faith toward resolution of any such issues.

10.8 Time of Essence. Time is of the essence in the performance of each and every obligation to be performed by the Parties hereto.

10.9 Staffing Agreement for County Project Costs. The Applicant will pay for County costs, including 3<sup>rd</sup> party consultant costs, if necessary, incurred to support plan review and inspection of the Project during construction, in accordance with K.C.C. 14.04 et. al., under a County Staffing Agreement. Such Staffing agreement shall be substantially similar in form to the existing Staffing Agreement in place for the Project, dated August 3, 2004, including the hourly costs for County staff and consultant resources. The Staffing Agreement shall be approved by the County prior to construction, and such approval shall not be unreasonably withheld.

## 11. Notices.

11.1 Written Notice. Any notice, demand, or other communication ("Notice") given under this Agreement shall be in writing and given personally or by registered or certified mail (return receipt requested). A courtesy copy of the Notice may be sent by facsimile transmission.

11.2 Addresses. Notices shall be given to the Parties at their addresses set forth below.

If to the County: Kittitas County Community Development Services  
411 North Ruby, Suite 2  
Ellensburg, Washington 98926  
Attn: Director

CC: Kittitas County Prosecuting Attorneys Office  
205 West Fifth, Room 213  
Ellensburg, Washington 98926  
Attn: Jim Hurson

If to Applicant: Sagebrush Power Partners, LLC  
222 Fourth Ave  
Ellensburg, Washington 98926  
Facsimile No.: 509-962-1123

CC: Sagebrush Power Partners, LLC  
c/o Horizon Wind Energy  
808 Travis Street, Suite 700  
Houston, TX 77002  
Facsimile No.: 713-265-0365  
Attn: General Counsel

11.3 Delivery. Notice by hand delivery shall be effective upon receipt. If deposited in the mail, notice shall be deemed delivered forty-eight (48) hours after deposited. Any party at any time by Notice to the other party may designate a different address or person to which such notice or communication shall be given.

## 12. Default and Remedies.

No party shall be in default under this Agreement unless it has failed to perform as required under this Agreement for a period of thirty (30) days after written notice of default from the other party. Each notice of default shall specify the nature of the alleged default and the manner in which the default may be cured satisfactorily. If the nature of the alleged default is such that it cannot be reasonably cured within the thirty (30) day period, then commencement of the cure within such time period and the diligent prosecution to completion of the cure shall be deemed a cure of the alleged default.

### 12.1 Dispute Resolution Process.

12.1.1. Conference. In the event of any dispute relating to this Agreement, each Party, upon the request of the other Party, shall meet within seven (7) calendar days to confer and seek to resolve the dispute ("Conference") during the seven day period thereafter. The Conference shall be attended by the following parties: (a) the County shall send department director(s) and County employees and contractors with information relating to the dispute, and (b) Applicant shall send an Applicant's representative and any Applicant's consultant with technical information or expertise related to the dispute. The parties shall, in good faith, endeavor to resolve their disputes through the Conference.

12.1.2. Mediation. If this Conference process does not resolve the dispute within the 7 day Conference period, the Parties shall in good faith submit the matter to mediation. The Parties shall send the same types of representatives to mediation as specified for the "Conference" process. Additionally the Parties shall have representatives present at the mediation with full authority to make a settlement within the range of terms being discussed, should settlement be deemed prudent. The mediation shall take place within 45 days of the parties submitting the dispute to mediation.

In order to expedite the mediation, during the Conference process the Parties shall select the mediator. The mediator must be a neutral professional full time mediator with time available to meet with the parties within the 45 day mediation period following the 7 day Conference period.

To prepare for mediation, during the 7 day Conference period, the County will select three qualified mediators, as specified above, who are available in the following 45 days. At the end of the 7 day Conference period, if the matter has not been resolved, the Project Owner shall, within the 24 hours of being given the three names select one of the three. The parties will in good faith attempt to resolve the dispute in the 45 day mediation period.

If the dispute is not able to be resolved through the mediation process in the 45 day period, the parties may pursue their legal remedies in accordance with Washington law.

### **13. Indemnity.**

The Applicant shall indemnify and hold harmless the County and its elected officials and employees from and against any and all Losses that are caused by or result from the negligent act or omission of Applicant or its employees, officers, or agents in the operation of the Project; provided, however, that the total and cumulative obligation hereunder for all such Losses is limited to and shall not exceed five million dollars (\$5,000,000.00). In the event of concurrent negligence, Applicant shall indemnify and hold harmless the County only to the extent of Applicant's negligence, subject to the foregoing five-million-dollar limitation for any and all Losses.

14. Entire Agreement.

This Agreement, together with all exhibits hereto, constitutes the entire agreement between the Parties with respect to the subject matter of this Agreement. This Agreement is specifically intended by the Parties to supersede all prior agreements, whether written or oral.

APPROVED this \_\_\_\_\_ day of \_\_\_\_\_, 2006.

BOARD OF COUNTY COMMISSIONERS  
Kittitas County, Washington

\_\_\_\_\_  
Chairman, David B. Bowen

\_\_\_\_\_  
Vice Chairman, Alan A. Crankovich

\_\_\_\_\_  
Clerk of the Board, Julie Kjorsvik

\_\_\_\_\_  
Commissioner, Perry Huston

Approved by:

\_\_\_\_\_  
Kittitas County Prosecuting Attorney, Deputy

James Hurson

SAGEBRUSH POWER PARTNERS, LLC, a Delaware limited liability company

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: — \_\_\_\_\_